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SUBJECT: SANTO DOMINGO ECONOMIC-POLITICAL ROUNDUP, MAY 29, 2009

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[¶1.](#) (U) New Customs Director and Superintendent of Banks

On May 27, Rafael Camilo Abreu, the Superintendent of Banks, was named as the new Director of Customs. He replaces Miguel Cocco, who passed away on May 21 after a long illness. Camilo is well respected by the banking community and considered to have done a good job in overseeing the reform of the banking system after the 2003 crisis. He will be replaced by Haivanjoe Ng Cortinas, the Superintendent of the Stock Exchange.

[¶2.](#) (SBU) Pressure Builds on the GODR to Seek an IMF Agreement

The Governor of the Central Bank and the Minister for Economy, Development and Planning have both publicly called for the GODR to sign a stand-by agreement with the International Monetary Fund (IMF). On May 25, the Central Bank Governor Hector Valdez Albizu told the press that he supports a new agreement as a precautionary measure similar to ones taken by Peru and other countries. On May 27, the Minister for Economy, Development and Planning Temistocles Montas told the media that the GODR needs to sign an agreement and that the financing would help stimulate the economy. Both members of the President's Economic Cabinet have been known to support an IMF agreement; however, they have not previously made such public endorsements. Both men acknowledged that only the President can make the final decision. It is believed that the Minister of Finance Vicente Bengoa is still the main opponent to an IMF agreement. Earlier in May, Valdez Albizu traveled to Washington to meet with IMF officials who said the IMF is prepared to sign an agreement. On a separate trip, Bengoa led a team that met with World Bank (WB) officials to request budget support assistance, in part to help address the payment crisis in the electricity sector. Montas told the press that the WB and the Inter-American Development Bank said the GODR would have to seek a stand-by agreement with the IMF before it could access more financing. With financing options running out and the fiscal deficit growing, it appears to be a matter of time before the GODR is forced to go to the IMF for a new agreement.

[¶3.](#) (U) Government Seeks to Buy Out Remaining Private

Participation in Electricity Distribution

The Dominican government is negotiating with the U.S. firm Trust Company of the West (TCW) to purchase its 50 percent stake in the electricity distribution company Ede Este. With this stock acquisition, the government would consolidate full ownership of Ede Este and own all three of the country's major distribution companies, known as "Edes", outright. Ede Norte and Ede Sur were nationalized in 2003. Press reports have estimated the price being discussed is between USD 20 and 25 million. TCW has filed three arbitration claims against the government, including one under CAFTA-DR, for a total of USD 680 million, for breach of contract. The powerful director of the state electricity holding company, Radhames Segura, had long been rumored to seek full state control of electricity distribution in the country; he has often criticized Ede Este's progress in comparison with the state-run Edes. But business leaders have labeled the acquisition a step in the wrong direction, noting that it was during President Fernandez' first administration that the Edes were created and privatized.

14. (SBU) Constitutional Reform and Nationality

On May 26, the Congress, which is reviewing the proposed new constitution article by article, approved the nationality article. The article gives current Government practice constitutional standing, but is unlikely to result in any significant changes since the Government's policy on nationality had been previously upheld by the Supreme Court. The new article omits from nationality those born to people illegally in the country as well as to those in transit, and

states that the term "in transit" will be defined by DR law. It is not clear whether those born to people in the country legally (e.g. on work visas), but lacking permanent residency, will be granted nationality. An additional change from the current practice allows acquisition of Dominican nationality through either a Dominican mother or father, whereas both were previously required. The text approved is the more inclusive of the two options presented before the Dominican Congress. The alternative, nationalist option -- limited to a strict jus sanguinis system -- failed.

BULLEN